



THOMAS L. GARTHWAITE, M.D.
Director and Chief Medical Officer

FRED LEAF
Chief Operating Officer

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
313 N. Figueroa, Los Angeles, CA 90012
(213) 240-8101

BOARD OF SUPERVISORS

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June 12, 2003

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**THE COMMUNITY HEALTH PLAN - AGREEMENTS FOR HOSPITAL SERVICES
FOR ENROLLEES OF THE MEDI-CAL MANAGED CARE PROGRAM
AND COUNTY TEMPORARY EMPLOYEE PROGRAM**
(All Districts) (3 Votes)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Director of Health Services, or his designee, to offer and execute Agreement Amendment No. 5 for certain hospital contractors listed in Attachment B, substantially similar to Exhibit I, to continue provision of health care services to enrollees of the Community Health Plan ("CHP") Medi-Cal Managed Care Program/County Temporary Employees Program ("MMCP/CTEP") and to restore the termination for convenience provision to ninety days prior written notice by either party retroactive to October 1, 2002 through December 31, 2004.
2. Find that special circumstances exist to justify a waiver of the jury service program requirement for subcontractors of certain hospital contractors providing services under the CHP MMCP/CTEP Agreements., as listed in Attachment B.
3. Approve and instruct the Director of Health Services, or his designee, to offer and execute Board-approved form agreements to certain hospital contractors listed in Attachment C for the provision of services for the MMCP/CTEP, effective upon the date of execution of such agreement by both parties, for a maximum contract amount less than \$50,000.

PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTIONS:

In approving the recommended actions, the Board is extending the provision of health care services retroactive from October 1, 2002 through December 31, 2004. The Board is also waiving the Contractor Employee Jury Service Program Ordinance, Chapter 2.203 of the County Code, for subcontractors of certain hospital contractors, listed in Attachment B. The MMCP/CTEP agreements were amended in September 2002 to incorporate the jury service program requirement, which requires County contractors and subcontractors to provide their full-time California employees with specified jury service benefits.

A number of hospital contractors have since refused to sign the amendment and contend that such requirement creates an unacceptable financial risk when serving CHP members on a capitated basis. Without MMCP/CTEP agreements in place, the CHP is in jeopardy of violating the Knox-Keene Health Care Service Plan Act of 1975 ("Knox-Keene Act") which establishes the licensing requirements for health care service plans in California. Among other things, the Knox-Keene Act requires the CHP to maintain agreements with qualified providers of hospital, primary/specialty care, and pharmaceutical services, and to ensure that such providers of health care services are accessible to all CHP members. The Department of Health Services (DHS or Department) does not believe it can identify qualified health care contractors to replace those that will not accept the jury service requirement. Accordingly, the Department recommends approval of the special circumstances waiver.

In addition, the Department is recommending that the termination for convenience language be restored to the original ninety days by either party. This language was removed in September when these agreements were only being extended for ninety days. On December 17, 2002, the Board approved an amendment extending these agreements through December 31, 2004. The current language which only allows the County to terminate for convenience creates an unacceptable financial risk for the contractor. Because they are providing health care on a capitated basis, they need a method to negotiate new rates or terminate for convenience in the event that they experience higher costs and/or utilization of services.

Finally, the Department also plans to enter into CHP service agreements with each hospital listed in Attachment C. These hospitals previously were part of a group of hospitals under contract with the Department through an umbrella agreement with the County. Individual agreements are now required because of the organization's new corporate structure under which each hospital is itself a legal entity with a separate tax identification number. Previously, these hospitals, while under contract with the County, did not have any MMCP/CTEP members assigned to them. DHS projects that the maximum County obligation with each hospital will be less than \$50,000 during the initial 12 months of operation, because of the start-up period required to assign capitated CHP members to each hospital. In the event that the number of assigned members will result in a maximum County obligation of \$50,000 or more during any 12-month period, DHS will take action to amend such agreements (e.g. include the jury service requirement or seek a Board waiver as appropriate).

FISCAL IMPACT/FINANCING:

Funding for extension of the MMCP/CTEP is 100% offset by capitation payments received by CHP for enrollees of the MMCP and by premiums paid by employees for enrollees of the CTEP.

There is no fiscal impact for waiving the jury service program requirement from these CHP contractors.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

CHP, a full-service Knox-Keene licensed and federally qualified health maintenance organization (HMO), is the County's publicly operated HMO administered by the Department's Office of Managed Care. CHP enters into MMCP/CTEP agreements with qualified health care contractors to provide health care services to members of the CHP, which the Department generally cannot itself provide through its facilities. Each of the contractors participate in a network of primary, specialty, and hospital care providers, all of whom provide services to the low-income Medi-Cal population and County temporary employees.

Under existing law, the Knox-Keene Act provides for the regulation and licensing of the CHP by the Department of Managed Health Care ("DMHC"), which requires CHP to maintain contractor agreements for health care services provided under its license. In order for CHP to keep its license in the geographic areas it serves, the CHP must maintain agreements with a sufficient quantity of qualified health care contractors. For example, the state's rules require that CHP have contractual relationships with enough health care contractors so that a CHP member will not have to travel more than 15 miles to obtain health care service.

On November 21, 2000, the Board approved the MMCP/CTEP agreements. On September 17, 2002, the Board approved an extension to the agreements prior to the September 30, 2002 expiration date and added the jury service program requirement. On December 17, 2002, the Board approved an amendment extending these agreements through December 31, 2004. A number of the hospital contractors have since contacted the Department and indicated they would not accept the inclusion of the jury service requirements.

The jury service ordinance requires County contractors and subcontractors to provide their full-time California employees with at least 5 days of jury service benefits. A number of hospital contractors that do not qualify for an exemption to the jury duty requirement have refused to sign this amendment, contending that such requirement creates an unacceptable financial risk in serving CHP members on a capitated basis, especially to the extent it must be imposed on all subcontractors. These hospital contractors are critical for the CHP to continue to meet its obligations under the state licensed program. Without MMCP/CTEP agreements in place, CHP is in violation of the Knox-Keene Act licensing requirements, which could lead to de-licensure by DMHC in areas served by these contractors resulting in subsequent loss of CHP membership and capitation monies.

After considerable negotiations, the hospital contractors listed in Attachment B have agreed to adopt jury service policies for their own employees which are consistent with the requirements of the ordinance, as long as the County approves a special circumstances waiver that relieves the hospitals from having to apply the ordinance to their subcontractors. Hospitals enter into numerous subcontracts for the provision of all types of goods and services. The subcontracts, according to the hospitals, generally provide supplies and services for the entire hospital operation with only a fraction of the subcontracted goods and services directly benefitting CHP members, such that it would be infeasible to track what portion, if any, of a given subcontract is related to CHP. More broadly, though, the hospitals have stated that the obligation to administer, negotiate, impose, and enforce the ordinance with respect to all subcontractors would be infeasible, if not impossible, and that it would clearly create an unacceptable financial risk for the hospitals in the context of servicing CHP members on a capitated basis.

In a separate action on June 17, 2003, the Board approved the above special circumstances waiver to the hospitals' subcontractors, identified in Attachment B, with respect to health care service agreements for CHP's Healthy Families Program product line of business.

On November 21, 2000, the Board approved MMCP/CTEP agreements, which included the hospital contractors listed in Attachment C. These hospitals were included under an umbrella agreement covering various hospitals in the L.A. County region. Because of a re-organized corporate structure for this contractor whereby each hospital is now itself a separate legal entity, separate agreements are now required. The Department intends to begin assigning members to these contractors during the start-up period under these agreements. As such, it is anticipated that the maximum contract amount shall not be more than \$50,000.

The MMCP/CTEP agreements include a provision assigning financial risk of injectable medications to the contractor or its affiliated physician group. However, newly enacted Section 1375.5 of the Health and Safety Code prohibits a contract between a health care service plan and a risk-bearing organization from including any provision that requires such organization to be at financial risk for the provision of health care services, unless the provision has first been negotiated and agreed to between the health care service plan and contractor. CHP is currently evaluating the fiscal impact of the health services contracts under this section. CHP will accordingly assume financial risk of the injectable medications as set forth in Health and Safety Code section 1375.8, with appropriate revisions to the agreements as necessary until this analysis and any necessary negotiations have been completed.

With respect to restoring the original termination for convenience language, this would allow CHP or the contractor to terminate these agreements, with or without cause, with a 90-day advance written notice to all other party. The current language only allows the CHP to terminate for convenience. The current language is a requirement of the contractors based on their determination that it creates an unacceptable financial risk for the contractor in as much they are providing health care on a capitated basis. The new language would allow the CHP or the contractor to terminate with advance written notice, thereby protecting contractors in the event they experience higher costs and/or utilization of services.

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Attachments A, B, and C provide additional information.

CONTRACTING PROCESS:

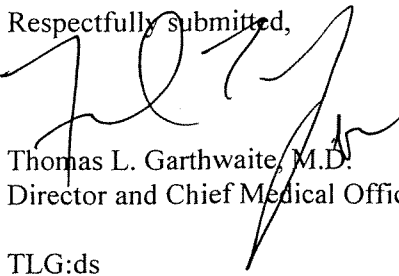
Interested providers can contact the Office of Managed Care and if they meet certain criteria, they may contract for CHP's programs.

IMPACT ON CURRENT SERVICES (OR PROJECTS):

Services provided to CHP members will continue uninterrupted.

When approved, this Department requires three signed copies of the Board's action.

Respectfully submitted,



Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer

TLG:ds

Attachment

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors

BLCDOMCJS603.DS

SUMMARY OF AGREEMENT AMENDMENTS

1. Type of Services:

Community Health Plan ("CHP") provides or arranges for health services to individuals enrolled in the CHP's Medi-Cal Managed Care Program ("MMCP")/County Temporary Employee Program ("CTEP"). These services are delivered through County facilities, capitated primary care contractors affiliating with County facilities, capitated primary and specialty care contractors affiliating with capitated private hospital contractors, fee-for-service private hospital contractors, and subcontracted pharmacies under the pharmacy benefit manager contractor.

2. Agencies:

The Department is requesting that the Board approve and instruct the Director of Health Services, or his designee to offer and execute amendments to restore the termination for convenience provision for MMCP/CTEP contractors listed on Attachment B and to waive the jury service requirement for the subcontractors of these contractors. The Department is also requesting that the Board approve and instruct the Director of Health Services, or his designee to offer and execute MMCP/CTEP Agreements to certain hospitals listed in Attachment C, effective upon the date of execution of such agreement by both parties, for a maximum contract amount less than \$50,000.

3. Term:

On November 21, 2000, the Board approved agreements with the MMCP/CTEP contractors, effective December 1, 2000 through March 31, 2002. On June 5, 2001, the Board approved Amendment No. 1. On March 19, 2002, the Board approved Amendment No. 2 that extended the term through September 30, 2002. On September 17, 2002, the Board approved Amendment No. 3 that extended the term through December 31, 2002. On December 17, 2002, the Board approved Amendment No. 4 to the MMCP/CTEP agreements that extended the terms through December 31, 2004.

4. Financial Information:

Funding for MMCP services is provided by the L.A. Care Health Plan on a per member per month basis, at a capitated rate for each Medi-Cal beneficiary enrolled in CHP, and by CTEP for eligible County temporary employees.

5. Geographic Area To Be Served:

Countywide.

6. Accountable for Monitoring:

Office of Managed Care.

7. Approvals:

Office of Managed Care:

Pauline Rodriguez, Acting Director

Contracts and Grants Division:

Riley J. Austin, Acting Chief

County Counsel:

Edward A. Morrissey, Deputy County Counsel

ATTACHMENT B

<p>Community Health Plan MEDI-CAL MANAGED CARE PROGRAM/COUNTY TEMPORARY EMPLOYEE PROGRAM Hospital Contractors</p>				
	Hospital Name	Contractor Name	Contract No.	Affiliate
1	California Hospital Medical Center	Catholic Healthcare West Southern California	H213048	Health Care L.A.
2	Centinela Hospital Medical Center	CVHS Hospital Corp., a California Corporation (Tenet-owned)	H212715	Global Care Medical Group IPA
3	Community Hospital of Huntington Park	Tenet HealthSystem Hospitals, a Delaware Corporation	H212319	Capnet IPA
4	Foothill Presbyterian Hospital	Citrus Valley Health Partners	H211929 H212054 H212055 H212057	Citrus Valley Physicians Group Doctors Medical Group Health Care LA Alta Med
5	Garfield Medical Center	Tenet HealthSystem Hospitals, Inc., a Delaware Corporation	H212823	Physician Healthways Medical Corporation
6	Intercommunity Hospital	Citrus Valley Health Partners	H211929 H212054 H212055 H212057	Citrus Valley Physicians Group Doctors Medical Group Health Care LA Alta Med
7	Mission Hospital of Huntington Park	Tenet HealthSystem Hospitals, a Delaware Corporation	H212319	Capnet IPA
8	Monterey Park Hospital	Monterey Park Hospital (Tenet) Tenet Healthcare Corporation	H207706 H213348	South Atlantic Medical Group Joy Medical Associates
9	Queen of the Valley Hospital	Citrus Valley Health Partners	H211929 H212054 H212055 H212057	Citrus Valley Physicians Group Doctors Medical Group Health Care LA Alta Med
10	White Memorial Medical Center	White Memorial Medical Center	H212408	Family Care Specialists Group

ATTACHMENT C

**LIST OF INDIVIDUAL POTENTIAL CHP HOSPITAL CONTRACTORS DOING BUSINESS
UNDER A CHP UMBRELLA HOSPITAL CONTRACTOR**

HOSPITAL	CHP UMBRELLA HOSPITAL CONTRACTOR
Brotman Medical Center	Tenet Healthcare System
Encino-Tarzana Regional Medical Center	Tenet Healthcare System
San Dimas Community Hospital	Tenet Healthcare System
Whittier Hospital Medical Center	Tenet Healthcare System